

Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Braskem's Delta conference call. Today with us, we have Roberto Simões, CEO of Braskem; Pedro Freitas, CFO; Mark Nikolich, Vice-President of North America Olefins and Polyolefins; and Rosana Avolio, Investor Relations Director.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After Braskem remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through Braskem's IR website at <http://www.braskem-ri.com.br/>, and the MZIQ platform, where the slide presentation is available for download. Please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website.

We remind you that the questions, which will be answered during the Q&A session, may be posted in advance on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of Securities Litigations Reform Act of COVID-1996. Forward-looking statements are based on the beliefs and assumptions of the Braskem management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to the future events and therefore, depend on the circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Braskem and could cause results to differ materially from those expressed in such forward-looking statements.

Now I would like to turn the conference over to Roberto Simões, CEO of Braskem. Mr. Simões, you may begin your conference.

Roberto Simões:

Thank you. First of all, I would like to thank you everyone for listening to this conference. Last week, we proudly communicated to the market the start of production of our newest PP plant, located in La Porte, Texas.

Our Delta project team worked diligently over the last three years on the construction, commissioning and the startup of the new PP plant, and this achievement was only possible because of their strong effort and dedication.

Before Mark gives you all more color on Delta and North America PP market, I would like to highlight some topics about our business in the United States. Ten years ago, we started our internationalization process with the acquisition of Sunoco Chemical's PP assets in the United States. Then, Braskem America continued to invest in growing its business.

The purchasing of Dow's PP assets, expanding our operation in Marcus Hook plant, built of a new UTEC production facility, and the staff of Delta, Braskem America latest achievement, will strength our PP leadership position in North America.

In the next slide, we will talk about Braskem America business model. In the U.S., we purchased a plant for supply and produce PP, a second generation thermoplastic resin.. To purchase the required feedstock, several propylene sources such as PDHs, refineries and crackers are available for us.

Braskem America has a critical role in the value chain as PP is the feedstock of a variety of products in several different segments, such as automotive, packaging and medical application, and our product is being crucial in the fighting against covid, for example.

In this sense, we are committed to meet the needs of our customers, and to continue to be a PP supplier today and in the future.

Moving to the next slide, since 2011, when we acquired PP assets from Dow in the U.S., we are the largest producer of PP in the United States. Now, with Delta, we have six PP plants: four in Texas, one in Pennsylvania and one in West Virginia. With our new plants, our production capacity grows from 1.6 million tons per year to 2.1 million tons per year.

Besides our PP operation, we also have one UTEC plant in La Porte, Texas. The UTEC is an engineered polymer with excellent mechanical properties, such as high abrasion resistance, impact strength, and low coefficient of friction, with applications in various markets.

For us, innovation is the path to our growth, so we can have one modern innovation and technology center in Pittsburgh, which plays a critical role in our ability to deliver our clients' needs.

In the next slide, I would like to highlight how Delta is fully aligned with the Company's strategy. Moving to this slide, about the strategy, Braskem based its decision in five player-defined strategic objectives.

With the startup of Delta, we have made significant progress on the feedstock and geographic diversification pillars. Delta supports us to progress towards a more balance feedstock profile between gas and oil business sources, as our new PP plant in the U.S. is propylene based, surpassing the relevance of the naphtha. Additionally, we expand our global footprint outside Brazil, and we are now even a more global company.

Now, I would like to take the opportunity to invite Mark, our Vice-President for Olefins and Polyolefins in North America, who will talk about Delta and the North American PP market. Thank you. Mark?

Mark Nikolich:

Thanks, Roberto. If we move to slide ten, I will dig a little deeper into Delta. A couple of things to note. As Roberto said, the teams have been working very hard for the last three plus years on this project. The vision actually started over four years ago, looking at the markets and coming up with a strategy to continue to progress our leadership in North America, as well as the Americas and globally. And that idea manifested itself in this new plant, which we called Delta.

So what is Delta? Delta is a very large PP line, 450kta+. And what we mean by that is that it is designed to run a minimum of 450kta. It is a very large line. It is the largest polypropylene line in the Americas, and we are really proud of that.

Total investment, US\$750 million. The location site is La Porte, Texas. We chose La Porte, Texas, for a variety of reasons. One, it is our largest facility in the U.S., and we had land, so we had space to build this new plant. Secondly, the feedstock of propylene, which we are the largest buyer of propylene in North America, and the feedstock of propylene predominantly comes from the Gulf Coast. And our connectivity from the La Porte site into the feedstock suppliers in the Gulf Coast is excellent. We have five going on fixed pipelines into the asset, and that gives us a lot of redundancy in supply and access to all the major propylene producers.

In addition to that, we took the opportunity with this project to upgrade our utilities and support systems at the site. The site also has another PP line on it, as well as the aforementioned UTEC line that Roberto talked about.

So in addition to building this new Delta 450kta line, we also upgraded steam, we upgraded high voltage electricity, we upgraded the cooling water system, and we upgraded the entire feedstock pipeline and measurement system coming into the plant. So we spent over US\$25 million on what I will call infrastructure utilities that both support Delta as well as the existing plants on that site.

This leads us to a very competitive operating base on that site, not just with Delta, but with the other plants. And the Delta plant itself has the ability to produce the full portfolio of polypropylene that we supply to the market.

Not to get too detailed, but there are three product families, homopolymer, random copolymer and impact copolymer that are supplied to the polypropylene industry, and we will be able to make all three product families on this new line.

The technology that we use is UNIPOL technology from Grace. This is a proven technology, with a lot of operating lines all over the world. In addition to that, and more importantly, Braskem itself has a lot of experience in UNIPOL PP technology. We have a plant in Germany. We have two lines in Marcus Hook, Pennsylvania. We have a plant in Seadrift, Texas that is UNIPOL technology. And now, obviously, Delta.

In addition to that, when we acquired the Dow polypropylene franchise back in 2011, many of the engineers and team members that came with that acquisition had been supporting the UNIPOL PP technology development over the years. So we acquired a lot of subject matter expertise when we bought the Dow business.

It gives us a lot of confidence with the technology. We know how to run it. We understand the cost of it, the maintenance of it, the complexity of it, and we have a lot of confidence in this technology.

And then, one thing that I want to make sure it does not go unnoticed because we are really proud of it, safety, as Roberto tells us and our stakeholders every day, is the foundation of our Company. It is our license to operate, and we are really pleased with the safety record of this project. Over three years of construction. You see the numbers of people in the site, and we really ended up with a first quartile safety record for the project, which we are really proud of.

So I am going to move on to the next slide to talk a little bit about the market, some of the context in which we developed the project and where we are today. If I talk about propylene predominant feedstock, when we look at propylene in North America, we really started to look at what was happening in the world, and the development of shale gas and tight oil in the U.S.

And what that led us to believe is that there was going to be significant NGLs and significant propylene production in the U.S. that would support a globally competitive asset in the U.S.

What do I mean by that? There is continued to be investment in the propylene chain in the U.S. We have seen increases in the development of PDH projects, those are propane dehydrogenation units. They essentially take propane and turn it into propylene. And why is this relevant for shale? Because as we continue to grow the shale base in the U.S., we continue to produce NGLs, ethane and propane. Propane we supply to the world, but it creates a competitive base of feedstock for us where we can derive propylene from that.

So these PDH units that you see in the yellow part of the bar are really the growth of propylene production in the U.S., and you can see how it continues to grow. The most recent PDH startups were Enterprise and Dow, chemical PDHs.

So that brings to us a globally competitive feedstock. When you look at the trade balance, if you follow the yellow line, you will see the net trade going from the U.S. to other parts of the world, which essentially means the arbitrage is open and the cost basis of that propylene is competitive enough to price itself in the global markets all the time. That means that if we buy that feedstock, our derivative is going to be globally competitive.

That was the foundation for deciding not just to build in PP, but to build in PP in North America, and in the U.S. specifically. And you will see as we talk later, it is not just to supply North America, but it is to supply our global polypropylene franchise and our clients around the world.

One last note at the bottom that I mentioned previously, that we are the largest propylene buyer in North America. We do buy from a variety of sources and it creates a portfolio of side buy for us. We buy from PDHs, we buy from refineries, we buy from steam crackers and we buy from the metathesis units. So that broadens this base and supports the strategic initiative that we have had for the last ten years to diversify our base feedstock portfolio.

Next slide, let us start talking a little bit more about the polypropylene thesis as opposed to the feedstock. When we look at polypropylene, and we look at the context of the North American market, what we see here going back to 2005 is a lot of shutdowns. What does that indicate? It indicates the market was in a tough environment for a long period of time. There were aging assets that were too expensive to operate. They were not competitive anymore and many assets were shut down.

The last actual build in the U.S. for polypropylene was before 2005. This last startup in 2005 was actually a repurposing of an asset designed for another polymer that was repurposed to polypropylene. Indelpro started up a new asset in Mexico in 2008, but after that, you can see there has been a really long drought of capacity additions in North America.

As we saw the growth rate continue to increase, and I will talk about this, we saw an opportunity to do two things: one, new capacity to support the growth of Braskem, and then secondarily really enhance our cost position, with the newest state-of-the-art and world scale asset. That is what led to 2020.

And you see the existing capacity there. And you can imagine that the rest of the infrastructure PP in North America continues to age. And I will come back to that as we go forward.

Next slide. Now we get into some of the market outlooks and what our expectations are. The original belief that we had was that the market would continue to grow at somewhere around a 2% growth rate year over year through the completion of the project. And we have seen that outside of the recent challenges with covid. So we have seen that growth, and we do expect that growth to continue, just like the external firms are indicating with this data.

If we move to capacity issues, to supply that demand, you can see that after 2021, we have a large increase, 411kta from other players in the industry. Those capacity additions, those are projects that have been announced, but we do not know the outlook of those projects. This is one of the things that we are really proud of in this current environment of hurricanes and covid, we have completed our project. Many of these projects are underway. They are in initial stages, and it is very difficult to determine how long those projects will take to complete, whether there will be delays or they will come out on time.

Another note, North American PP market continues to grow. The capacity was short of demand. So there are a lot of imports coming into North America. And what is happening now is those imports are being reversed.

So a lot of questions we get around. Is the growth rate there? What is going to happen to imports? Will there be exports out of North America? The first initial placement of volume from Delta will go to displace product that is being imported from outside of North America into North America.

A big portion of that was coming from Braskem. So we spent the last three years utilizing our three region franchise in polypropylene, that is Brazil, Europe and the U.S., to supply additional feed volume to the U.S. so that we already had clients, we already had market share prior to starting up Delta.

So now we are going to reverse that flow and that will take away some of the imports that have been coming into in North America, and eventually we will get into an export market. I will describe that a little later.

I am going to move on to slide 14. If you look at spreads, because there is a delay in the additional capacity coming on, Delta is really the only new capacity. And you can see what is happening when we start this plant up because we are the first. If you are the first, you are the first one to come into the market, you are the first one to supply the shortfall and you are the first one to get the current spreads.

As new capacity comes on, and you can see this predicted by external firms, in 2022 you see some disruption from new plants that starts to decline the total U.S. PP spreads. Having said that, we will see how quickly these plants are able to be completed and come online to impact the North American market.

Moving on to slide 15. This gets into a little bit of our strategy around what do we do with the volume and how do we utilize that volume from Delta to really support our three-region franchise. And I will talk a little bit about domestic and international preparation.

I mentioned previously the feed volume. You can see that 130kta annually, over the last three years, we have been importing structurally to supply our clients. Our clients notice it, they have been supportive of it, because it has been supportive of their growth.

With prequalified grades equivalent to over 250kta in annual demand, that gets us in a position where when we started the plant, we do not have to wait for qualifications. We can immediately sell into commercial markets and to existing clients.

I already mentioned the connectivity of our plant to large propylene supply. And when we look at leveraging this across our SG&A, we have added less than ten people in the business to support this. And they were added over the last two years. So we have already absorbed those costs. So this new plan is going to make our business even more competitive in the North American market.

One of our big projects concurrent with Delta was to really establish an export hub. Predominantly, we had exported out of Houston in the past when it was appropriate. We are following the lead of some of our peers in the polyethylene businesses in North America, and we chose Charleston and the infrastructure that is being built out in Charleston as our export hub. We are really excited about it. The service levels, the infrastructure that is being built will give us the ability to be very responsive and cost effective as we take polypropylene from North American supply to customers in Europe, South America and Asia.

And when you look at this in the context of our three-franchise business, Europe, North America and Brazil, it allows us to optimize. It allows us to increase share in Europe without increasing capacity. It allows us to optimize South America through freight. It is less expensive to supply to the West Coast of South America than Brazil in many instances. So this allows us to really optimize not just the North American business, but our three-region business.

So move on from slide 15. Now we are going to show a brief video about Delta and our new plan. Please, run the video.

Pedro Freitas:

Moving on, I will be talking a little bit about the financials of Delta. On page 18, we can see the total CAPEX. It was a US\$750 million project overall. We had a small cost overrun of less than 10% over the original schedule and over the original budget as well, which is a very good performance in the industry. We know that other players face cost overruns of sometimes up to 100% of the original cost, or even above that. Less than 10% is really a good performance for the industry when you look at other companies and general benchmarks.

We had the Linde Group, a German firm, leading the EPC contractor. They have significant experience with the UNIPOL process technology, and in the end, it was a good decision to have them on board.

We were able to secure funding from two ECAs: Euler Hermes, the German ECA, and Nexi, the Japanese ECA, which provided competitive funds for Delta, and that helped increase the perspective of returns for the shareholders of Braskem in this project.

Moving on to the next slide, the contribution to our results is not very hard to model. For those that are not familiar, how much does this add to our to our results? Its production capacity is for 450kta of the nameplate capacity. It is not unusual for these projects to

have some additional capacity available, because engineers tend to put in safety margins to ensure that the original production capacity will be match. We saw that in the plants in Mexico that the polymer plants in Mexico are able to produce more than the original capacity. We think that Delta could have the same upside. And then the operating rate, if we are even in 450, operating rate could be even above 100%, if things go according to what is usually the industry.

So the sales volume should be the same as production. Sales price, we used U.S. market reference, and exports depending on the region. So as Mark said, we do intend to export in the beginning, and that would lead to an average sales price that is probably slightly lower than the U.S. price even given the cost of logistics. The netback is smaller.

Feedstock, you can see there how to do that. The spread, another way of doing this would be to say it is a sales price minus the cost that is a spread. Mark showed the spreads a couple of slides back. So the average for this year is expected to be north of US\$600 per ton, next year as well, and then two years from now, a little bit less than that. That is kind of the market expectations. And another way would be to say it is spread times volume, and then deduct the polymerization cost, there is an estimate given here.

And then, SG&A. We do not expect to have a lot of SG&A. Delta stands on the site where we already have two other plants running in La Porte, so it leverages infrastructure, it leverages personnel, contractors. There is a lot of synergy in running this facility.

We do have additional volumes. For example, for exports, we are going to leverage Braskem's commercial strength in other regions in Latin America and also in Europe and Asia. So we do not expect to add a lot of muscle on the commercial side. Again, we expect to have a lot of synergies in fixed costs in Delta.

I will pass it back to Mark for the closing remarks, and then we open up for Q&A.

Mark Nikolich:

Great. Thanks, Pedro. Just some closing remarks and some summarizing here. First of all, we are really pleased to be here today to talk about the completion of this project and the commercialization of it. It is a really exciting time for Braskem.

The Delta project reinforces our position, as I have said, in the North American PP market. We feel very strongly about this. We are committed to polypropylene. It is a focus for us. We believe in polypropylene, and we are very focused on our clients, not just in North America, but globally that are polypropylene clients.

So it is an important piece of our business. It is a three-region franchise, and we are proud to be the third largest PP producer in the world and have aspirations to be bigger.

The investment highlights our ability to execute large projects. Many of you have reviewed, have analyzed the large projects in the U.S. Gulf Coast over the past ten years, and arguably it has been a really difficult build cycle, even though a lot of money has been spent. And I think we are really proud that we executed a project that is first quartile safety performance, that is less than 10% overrun in cost and schedule, and in an environment that is extremely challenging. So we think this project was not only a great addition to our asset base, but we have run an extremely good project relative to the industry.

And our expectation is that this ramps up through the remainder of this year. I will tell you that we have been producing commercial quantities for the last two weeks, and I think the

commissioning and startup is going extremely well. And we are really looking forward to start supplying this product directly to our North American clients, as well as our global clients. And that is underway. The expectation is that we will be at that nameplate capacity as we begin 2021.

Another important aspect that we have not touched on is our commitment to sustainability. We take sustainability very seriously, and this plant was designed with a few things in mind. One was to reduce its environmental footprint.

When we look at Delta relative to a typical polypropylene line, as an example, it has approximately 50% of the greenhouse gas emissions of an existing polypropylene line in North America. That tells you how we view this plant as part of our portfolio of increasing our sustainability and the sustainability of our business.

And then, lastly, I want to come back to the clients. We have clients and partners in North America and across the world in PP that we are looking to grow, and we are struggling to grow because of supply. And we feel really proud that we were the ones that were able to invest, to deliver a plant that will allow our client base to continue to grow with their markets and their clients. And that is really important to us. It is a fundamental piece of our culture and how we operate our business, and we are really happy that we are able to satisfy our clients in a new way with Delta, both in North America and globally.

With that, I will conclude my remarks. I really appreciate you listening to us and look forward to the Q&A.

Luis Carvalho, UBS:

Good morning. Thanks for the very comprehensive presentation. I have three questions here, I think that it is pretty straightforward. The first one is if you can share some color on the returns of this specific project, ROIC or IRR, that would be great.

The second one, Mark, you mentioned about the ramp up of the plant, it is likely to happen throughout 2021. Maybe if you can give more color on a quarterly basis, how can we expect that?

And lastly, just briefly on the feedstock competitiveness, how can we see this plant being competitive from a feedstock perspective when you compare it to other players? Thank you.

Pedro Freitas:

We have a very stringent capital allocation and capital decision process. I would say that, for large projects like this, we aim at IRR's, of course, IRRs higher than our cost of capital. But in this case, I could say that IRR is more of 15%. That is the expectation that we had in the project approval. And things have been pretty stable in the PP market. So we do not anticipate any major changes compared to that original situation we had.

Mark Nikolich:

Thanks, Pedro. First, I will talk a little bit about feedstock. As I mentioned previously, we are a very large buyer of propylene in North America. And I will say, per se, we are not integrated.

Having said that, we have purification assets at multiple PP sites. That is why we have the ability to take refined grade propylene into our system, and we buy a lot of chem grade and polymer grade.

We also buy on multiple price indices. So you can view this as a very broad based portfolio. We are buying on a refinery grade basis. We are buying on a polymer grade minus basis, we are buying on a chem grade minus basis, and we are buying on a propane plus basis. That gives us a basket of indicators that mitigate volatility risk, mitigate one piece of the propylene supply market, getting out of whack with another.

And the last thing I will comment on is that we went to market in a period of time where there was excess propylene to security anchor contracts for this plant. And my view of those contracts is that they are the most competitive contracts of their kind in the U.S. Gulf Coast. So I think they enhance our portfolio.

We do not buy propylene from a specific plant typically. Typically, we buy from a supplier that can supply to multiple plants in the U.S. Gulf Coast. So it is not easy to attribute any specific piece of our portfolio directly to Delta, but the ability to go out to the market and secure a large volume of propylene when the market was adequately supplied, we think gives us the competitive feedstock base for this project to be profitable into the future.

The second question, I am sorry, if you could remind me about it.

Luis Carvalho:

It was about the ramp-up of the plant.

Mark Nikolich:

It is a new plant. We run it really hard and then we find something that is not working properly, we shut it down for a little bit and then start it back up. My expectation is that before yearend, we will be running at a 450kta rate.

Luis Carvalho:

Sorry, can you say that again?

Mark Nikolich:

By yearend 2020, we will be running at a 450kta rate. Benchmark rate, if you will. And we have already demonstrated the plant can run at that rate. We have not demonstrated that plant can run at that rate for multiple months in a row, obviously, because it is too new towards a startup, but we have already demonstrated that level of production rate.

Luis Carvalho:

Awesome. Thank you very much, and congrats about the project. Thank you.

Bruno Montanari, Morgan Stanley:

Good morning, everyone. Thanks for hosting the call and taking the question. Just one question. Would you say that the design of the project is to keep exporting a substantial amount of production, or eventually, do you aim at perhaps taking more market share in the U.S., and then you can take advantage of better spreads given the higher price?

And linking to spreads, on the presentation you mentioned that 2022 spreads are expected to be at 512. Just trying to figure out if that would be kind of the sustainable level, or if you expect long-term spreads could go back to the kind of high 600. Thank you very much.

Mark Nikolich:

I will address the export piece first. The original design for the plant was to allocate approximately half of the new volume to exports and about half to domestic; I should not say 'domestic', half to North America, U.S., Mexico, and Canada.

This will iterate dependent on strategic client needs and netbacks or spreads globally, because we are going to continue to optimize where we supply, how we supply and what we supply.

The foundational rationale for building this plant in the U.S. was because there is still a lot of growth in the U.S. converting market. It is to supply our strategic clients. And I expect that we are going to be supplying our strategic clients from Delta system predominantly for the next four to six months.

And this is because the North American market is extremely tight right now. Demand has far outstripped supply. We saw a drop in the automotive segment for about three months after the onset of covid in March, and that rebound has actually come back to pre-covid levels for automotive. All other markets have continued to be strong. So our demand profile today for PP in the U.S. is at pre-covid levels.

I do not believe that will stay for the long-term in automotive, I think we will have volatility in automotive, but I think it shows the robustness of the polyolefins market, of polypropylene and polyethylene consumption.

So right now, our big focus is on solving the demand needs in North America because of the tightness in supply, and then starting to spread out into supplying our affiliates in other parts of the world.

We do have other sources of export supply to supply our international markets, and that is Brazil. So we will also be looking at the value associated with supplying out of Brazil and supplying out of the U.S. Prior to Delta, we had one option. It was Brazil. Post Delta, we have two options, and that allows us to look at these global arbitrages and see what is the most value to the Company, how do we create the best spread.

But over time, I still expect us, because of efficiencies and optimization of our supply chain that we are always going to have an export piece out of North America to supply specifically our direct clients in South America and Europe.

I am sorry, I am going back now. Then we had a question about spreads into the future. And again, these are from external consulting firms. If you want to know the rationale for the dip, the rationale for the dip is new PP plants. Exxon Mobil had announced one. Lyondell had softly announced one. Formosa had announced one, IPPL in Canada and Pembina in Canada. Pembina in Canada has publicly announced that their project is on hold. The others are a little hazy.

So they are predicting clearly some capacity coming on that will drive those margins down. Again, typically, that happens in a build cycle. And this is cyclical, similar to these other big capital investment businesses.

So our expectation is that, when capacity comes on, there will be a dip spreads, but then spreads will come back up, will move back up to the previous levels that support that reinvestment.

Bruno Montanari:

Thank you very much.

Régis Cardoso, Credit Suisse:

Thanks for hosting the call and for taking my questions. Two questions from my side. First one on the ESG perspective. One thing we have seen recently was the government stepping up their efforts, more recently in California, and we are also talking fracking bans. And also, one other recent aspect of it was that the crisis after the covid would lower oil prices, and also led to a shutdown, or lower oil prices, and lower natural gas prices led to the shutdown of many shale fields in the U.S. And we have not really seen that production coming back on stream.

So my question really is whether you believe that any of those trends could pose a supply risk for those for this plant in the sense that the U.S. shale could not, at some point, be sold as a big surplus.

And then, the second question, more straight to the point really, in terms of product flow, you mentioned that you were already marketing a lot of the volumes coming from the imports from other plants. Does that mean that, as the plant ramps up, we will not see as many revenues increase as will we see margins increase, because you are substituting imported products for locally produced? And does that also mean that the Brazilian plants will run at a lower utilization rate? Thanks.

Mark Nikolich:

There is a lot there. I will start with shale, and then I will come back to the imports and the spreads, and the impact on us, and kind of the moving supply chain, if you will, within the Braskem system.

First of all, on the shale piece, let us be really specific on this. With propylene, it is about propane. And I agree with all your comments. There are certainly watchouts, there are things that we are watching really closely, but you also know that we have a redundancy in our system, largely in South America we are naphtha basis, and largely in North America we are gas based.

So we have a natural hedge in our system, and it is a good point. That is a risk that we look at all the time and trying to understand where those two fundamental energy markets are going.

Having said that, we do not anticipate a drop off in propane production in North America. North America is one of the propane engines for the world right now. We expect that to continue. And naturally, the foundation behind PDHs. So that is the foundation behind the competitiveness of the feedstock. But again, very good points, and those are things that we are always on the watch out for.

When I move over to the portfolio and imports and exports, and how that starts to impact our financials, you bring up a couple of really good points. First of all, importing resin to the U.S. specifically is probably one of the more costly import activities globally, because most of the world exports and imports in 25kg bags or 1,000kg super sacks.

The U.S. business operates in hopper cars, in railcars, in bulk. 90% plus of the U.S. market is supplied by railcars. So if you bring in a 55kg bag, you have to somehow put in a railcar, and that is expensive. So certainly we will gain cost efficiency in the Braskem system supplying domestically as opposed to supplying from export.

Now, when you flip that around and you go the other way, we are putting in a 25kg bag, 50lbs bag here, and that is pretty reasonable. That is pretty cost effective. And then it ships across the world and it is consumed out of that 25kg bag. So we will see some improvement in our supply chain costs associated with going from importing in the U.S. to exporting.

And by the way, we have already backed off on Brazil. We are not still pulling large volumes from Brazil into North America, and that is simply because Delta was in the commissioning and startup phase. But if we look at the current environment again, long-term, we will have to rebalance our portfolio to find that optimum supply chain for export, whether it is Brazil or the U.S.

Over the short-term, Brazil's demand for PP is similar in context to U.S. demand for PP. It is far outstripping the ability to supply. And as you all know, we are the major supplier in Brazil. So at this point in time, Brazil needs every plant they can keep of PP to supply the domestic and also the local market.

Hopefully that answers that question over the short-term. Over the long-term, we are going to have to rebalance.

Pedro Freitas:

Mark, just a complement on the Brazil side. The Brazilian demand is, as Mark mentioned, growing very steeply in the past few months. So we are actually relocating those export volumes. Looking from Brazil, from the Brazilian perspective, we are relocating the export volumes from the U.S. and other markets into Brazil, which is actually good for our results, because we do not have to incur in the logistics costs to export.

So actually, we are still exporting PP from Brazil, but the current market dynamics are providing a very good composition in our ability to relocate those tons, that volume.

But if that was not happening, we have commercial operations in Europe, in Asia, in other countries in Latin America. So we are very confident that we would be able to place those PP tons in these other markets, with reasonable margins rates.

So looking at the Brazilian perspective, Delta does not create a problem. We are just relocating from export markets, thinking of the U.S., the export markets, into other export markets, and in the short-term, actually, into the Brazilian market itself.

Régis Cardoso:

Very clear. Thank you.

Christian Audi, Santander:

Thanks. Here is a quick question. Roberto, we could start with you. Strategically, this is another important move for Braskem and its presence in the Americas. I was wondering if you could talk a little bit about the strategic direction or aspirations that you have to potentially go beyond the Americas, as you continue to look for ways to grow outside of Brazil.

And then, the other two questions, maybe for Pedro and Mark, how far are you in the commercial contracts for the Delta project? In other words, have you secured most of them? How is that evolving? If you could provide some color there.

And then, the third question, Mark, you touched on this new capacity coming in the coming years from other companies. When this new capacity does come in, is there something about the Delta project that sets it apart from these upcoming competitive capacity, be it cost, be it technology use, be it location? Anything that would give you a competitive advantage versus this future competition? Thanks.

Roberto Simões:

Thank you for the questions. For this moment, what we are analyzing in Braskem, we do not have provision to new rebuilding plants. We have some studies to some additional capacity at the bottleneck, but not as greenfield plant.

Mark Nikolich:

Let me talk a little bit about the plant and how we operate. As you see, we have a lot of lines. First of all, Delta was designed to be extremely cost competitive, extremely sustainable, and to make the bulk of our core product portfolio.

What do I mean by that? The plant was not designed to make a lot of specialty materials that we do not make today. It has the capability to do that in the future, but that is not the primary focus of it. We have other plants that can make more specialized products and are better designed to make specialized products.

So what Delta allows us to do is to view this as a system, and we call it line loading. But viewing it as a system, you have multiple lines where you can make multiple products. And you try to align the right products to the right line for cost effectiveness, for supply chain and logistics effectiveness, and for effectiveness in operations. Big plants, you try to have fewer products, longer runs of fewer products, because they are very large plants like Delta.

We have other plants, on the other hand, that are that are more complex, that have different capabilities and are better designed to make specialties. And today we are making the broad portfolio on those.

So what we are going to do is we are going to line load, we are going to allocate more of the core volume to Delta, allowing those other plants that are capable of making specialties, that line time, the capacity to make those specialties. And that is what will enhance our market position. So Delta is more of an enabler for that as opposed to the actual means.

Did I answer the question? I want to make sure that is clear.

Christian Audi:

That is helpful. Thank you. And on the commercial side, Mark, I was just trying to understand how fast the commercial contracts are being secured.

Mark Nikolich:

Just a comment about leadership. I view leadership as not just scale. I view leadership as relationships, as product portfolio, as service levels, as satisfying client needs. And I believe we are the best. I have confidence that we are the best at that in North America. I have confidence where the best at that in all three regions, but I have a lot of confidence about that, that we are the best at that in North America.

If you go back in history, these businesses – we did not go back that far –, if you go back to Arista Chemicals, you go back to Epsilon, you go back to Sunoco, you go back to Dow, you go back to the history of these businesses, we have been dealing with these strategic clients, strategic partners for decades. And this is more of a continuity of that, and it is a continuity of those relationships.

We have been working on placing this volume with our strategic partners in North America for the last three years. I think we are in great shape. I am really confident. Right now, we are not just trying to solve and satisfy the demand that we committed to our strategic clients, but we are also trying to solve the shortfall from other unplanned outages in the polypropylene industry in North America caused by hurricanes and other events.

So I think we are actually looking beyond that, if that makes sense to you. This is not a “oh, we just now are negotiating”. We have already been talking to the strategic partners for a long time so that we have a continuity of the relationship. The real challenge right now is covering other shortfalls in the market because we are the only ones that have new capacity.

Christian Audi:

Okay. Thanks.

Operator:

This concludes the Q&A section. I will turn it over to Mr. Pedro Freitas for closing remarks.

Pedro Freitas:

Thank you. I would like to thank all of you that participated in the call. I would ask everybody that, if you have other questions you would like to discuss, please get in touch with our Investor Relations team headed by Rosana, and we will be happy to address any other questions you may have about Delta or other aspects of Braskem.

We are very excited with Delta. We think it is a very significant addition to our portfolio. It is a major milestone in the North American PP market, as was highlighted during the presentation. It reinforces Braskem's leading position in that market, and we see it as a very value additive project for Braskem.

So I would like to thank you all, and I hope to talk to all of you soon. Thank you.

Operator:

Thank you. This concludes today's Braskem Delta's conference call. You may disconnect your line at this time.

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